

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Appalachian Energy Inc.

DIVISION OF GAS AND OIL
DOCKET NO. VGOB 89-0126-0009-12

RELIEF SOUGHT: MODIFICATION OF NORA COALBED GAS UNIT NOS: F-99, G-99, H-99 & I-99.

AFFECTED UNITS: (See Attached Exhibit A)

APPLICATION

1. **Applicant and its counsel:** Applicant is **Appalachian Energy Inc.** P.O. Box 2406, Abingdon, Virginia, 24212-2406, (276) 619-4880. Applicant's Counsel is James E. Kaiser 220 Broad Street, Suite 202, Kingsport, TN 37660 (423) 578-3838.

2. **Legal authority:** 4 VAC 25-160-50 and § 45.1-361.20 of the Code of Virginia.

3. **Relief sought:** (1) Modification of the Nora Coalbed Methane Gas Field Rules, to allow (1) for adjustment of units as drilled; (2) to allow unit I-99 to be enlarged to a 86.14 acre unit; (3) provide for double payment of royalties when applicable.

4. **Reasons for relief sought:** Edwards & Harding Petroleum Company drilled Well EH-44 to TD on December 11, 1991 and Well EH-47 to TD on December 15, 1991. Both wells were permitted as CBM wells in Buchanan County under the Nora Coalbed Field Rules established by the Gas & Oil Board on March 20, 1989. Although the Nora Field Rules referenced an Exhibit which depicted the Field Rule Units in the Board Order, the actual exhibit was not published until May 1992.

The Edwards & Harding Petroleum Company wells were permitted in the fall of 1991 and absent the Field Rules Exhibit, the 60+ acre units were extrapolated from a reference point in Dickenson County, by Kendrick Engineering.

Appalachian Energy, Inc. (AEI) purchased Virginia Gas Exploration Company, successor to Edwards & Harding Petroleum Company on March 7, 2002. In 2004 AEI resumed CBM drilling in the Slate Creek area adjacent to Wells EH-44 and EH-47. While preparing the permit for Well AE-146, we discovered that the EH-44 and EH-47 well units did not align with the Nora Field Rules Grid (See Exhibit A).

Appalachian Energy is proposing to drill several offset wells and it will be necessary to modify the unit location (Unit G-99 Well AE-150 and Unit I-99, Wells AE-178 & AE-179). Unit G-99 will be a standard 58.77+/- acre unit and Unit I-99 will be an 86.14 + acre unit.

It is further proposed that AEI can completely correct the unit offset situation with future drilling. Units H-98, G-98, F-98 and E-98 could be drilled in accordance with the May 1992 grid map resulting in a minor overlap along the Eastern unit boundaries. Unit E-99 would overlap Unit F-99 along the Southern Unit boundary, Units F-100 and G-100 would be enlarged to 61.42 +/- acres under the 15% rule to adjoin the Eastern boundaries of Unit F-99, H-99 and proposed Unit G-99.

The proposed unit variance correction will protect the correlative rights of all affected mineral owners.

5. **Type of wells and field:** Coalbed methane frac wells within the portion of the Nora Coalbed Gas Field described above, and as depicted in the attached Exhibit A.

6. **Formations subject to application:** All coal beds and coal seams including all Pennsylvania aged coals from the top of the Raven, but not limited to Seaboard, Jawbone, Greasy Creek, C-Seam, War Creek, Bandy, Beckley, Horsepen, X-Seam, , Poca 9, Poca 8, Poca 6, Poca 5, Poca 4, Poca 3, Poca 2, Poca 1, and any unnamed coal seams and other associated formations known as the Nora Coalbed Gas Field.

7. **Description of interest/claim of persons being notified:** Coalbed methane.

8. **Estimated ultimate recovery in each Nora Unit identified above:** 500 MMCF

9. **Plat:** See Exhibit A annexed hereto.

10. **The boundaries and acreage affected:** see Exhibit A annexed hereto.

11. **Attestation:** The foregoing application to the best of my knowledge, information and belief is true and correct.

Appalachian Energy Inc.

By: 

James E. Kaiser
220 Broad Street, Suite 202
Kingsport, TN 37660
(423) 578-3838

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Appalachian Energy Inc.

DIVISION OF GAS AND OIL
DOCKET NO. 89-0126-0009-12

RELIEF SOUGHT: MODIFICATION OF
NORA COALBED GAS FIELD

AFFECTED UNITS: Multiple (See Attached Exhibit A)

NOTICE OF HEARING

HEARING DATE: July 17, 2007

PLACE: Southwest Virginia Higher Education Center
Campus of Virginia Highlands Community College
Abingdon, Virginia

TIME: 9:00 a.m.

COMMONWEALTH OF VIRGINIA:

To: See Exhibit "B" attached hereto:

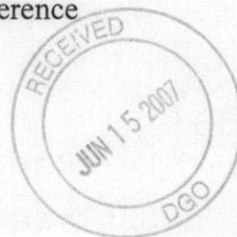
1. Applicant and its counsel: Applicant is Appalachian Energy Inc., P.O. Box 2406, Abingdon, Virginia, 24212-2406, (276) 619-4880. Applicant's Counsel is James E. Kaiser, 220 Broad Street, Suite 202, Kingsport, TN 37660, (423) 578-3838.

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9. **Plat:** See Exhibit A annexed hereto.

10. **The boundaries and acreage affected:** See Exhibit A annexed hereto.

11. **Attestation:** The foregoing notice to the best of my knowledge, information and belief is true and correct.

NOTICE IS FURTHER GIVEN that this cause has been set for hearing and the taking of evidence at the time and place first stated above and that notice will be published as required by law and the Rules of the Virginia Gas and Oil Board.

NOTICE IS FURTHER GIVEN that you may attend this hearing, with or without an attorney, and offer evidence or state any comments you have. For further information or a copy of the application and any exhibits thereto, you may contact the Virginia Gas and Oil Board, State Oil and Gas Inspector, Department of Mines, Minerals and Energy, Division of Gas and Oil, P.O. Box 1416, Abingdon, Virginia 24410, (276) 676-5423 or the Applicant at the address shown below.

Appalachian Energy Inc.

By: 

James E. Kaiser

220 Broad Street, Suite 202

Kingsport, TN 37660

(423) 578-3838

AFFIDAVIT OF DUE OF DILIGENCE

**COMMONWEALTH OF VIRGINIA
COUNTY OF DICKENSON**

I, James E. Kaiser, after being duly sworn upon oath, state as follows:

1. I am responsible for the notification process required by VA. Code Ann. § 45.1-361.19 and VR 480-05-22.2 § 4.
2. That Appalachian Energy Inc. has exercised due diligence in attempting to locate and notice all owners and claimants who are unleased and/or who were not previously pooled by prior order(s) of the Virginia Gas and Oil Board regarding **the Nora Coalbed Gas Field**, all as required by Va. Code Ann. § 45.1-361.19 and VR 480-05-22.2.
3. That on **June 15, 2007** a true and correct copy of the Notice of Hearing with Exhibits will be mailed, via certified mail return receipt requested, to all owners and claimants listed in Exhibit B for whom mailing addresses were then available.
4. That Appalachian Energy Inc. will continue to exercise due diligence in attempting to locate and identify the names and/or addresses of any unknown of unlocatable parties and, if located or identified, will notify them of Appalachian Energy Inc.'s application.

I have read the foregoing, and the information given above is true and correct to the best of my knowledge and belief.



James E. Kaiser
Counsel for
Appalachian Energy Inc.

ACKNOWLEDGMENT

STATE OF TENNESSEE

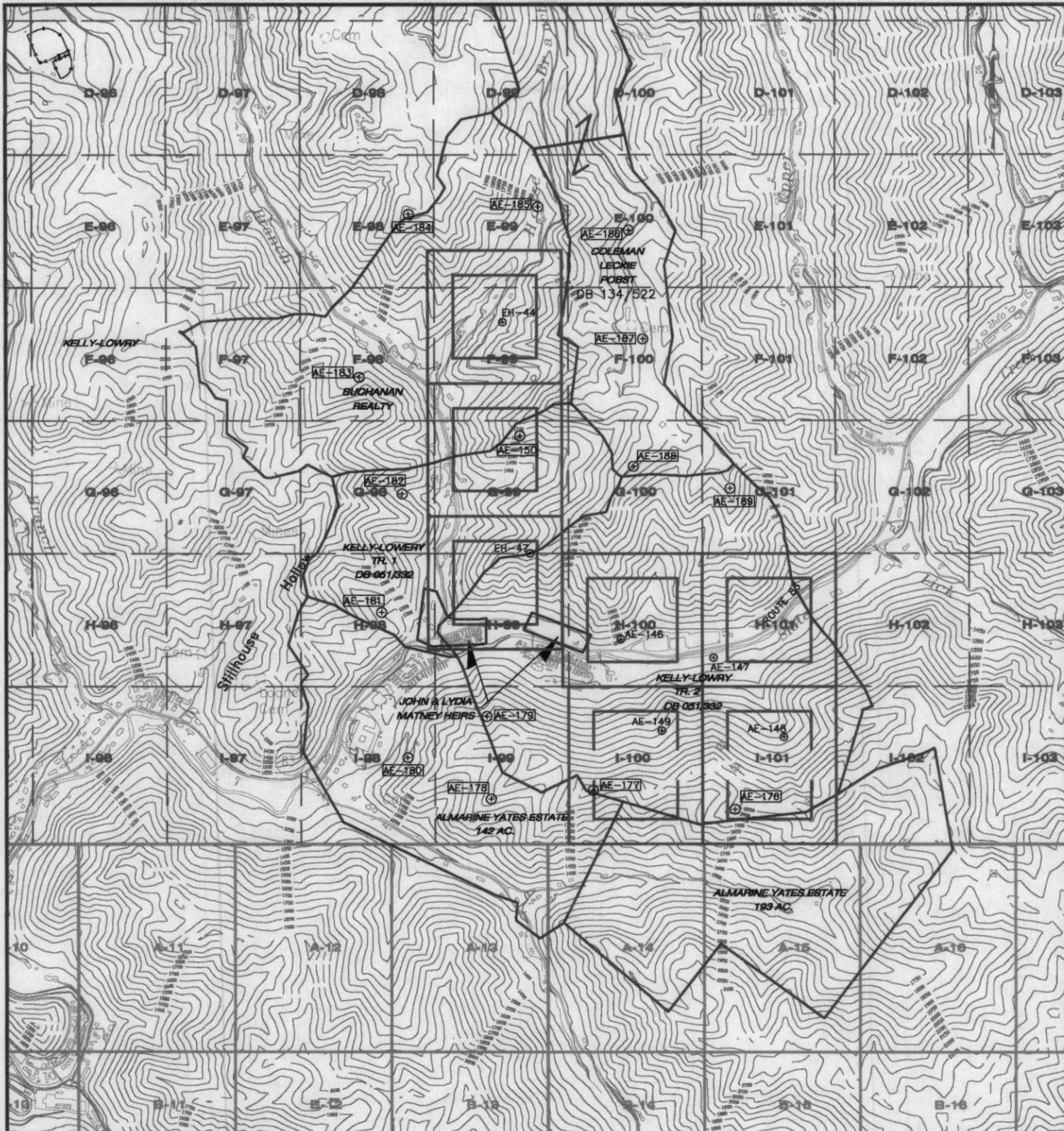
COUNTY OF SULLIVAN

TAKEN, SUBSCRIBED AND SWORN to before me this 15th day of
June, 2007.

Susan Peterson
Notary Public



My commission expires: 11-12-08



LEGEND

- — — — — NORA GRID BASED ON 1992 MAP
- — — — — PRE-1992 UNIT — NOT DRILLED
- — — — — OAKWOOD FIELD
- — — — — DRILLED UNITS
- — — — — PROPERTY LINE
- ⊙ AE-149 ⊙ DRILLED WELL LOCATION
- ⊕ AE-177 ⊕ PROPOSED WELL LOCATION

APPALACHIAN ENERGY, INC.
SLATE CREEK
UNIT VARIANCE - EXHIBIT A

NOT TO SCALE



THOMPSON & LITTON

312 Main Street, Suite 201
 P.O. Box 1869
 Clintwood, Virginia 24228

JUNE 8, 2007

Exhibit B

Barbara K. Oakley
440 Arlington Ave.
Bristol, VA 24201

Ann Wood Kelly
PO Box 272
Reedville, VA 22539

Elizabeth Whitman
PO Box 126
Keene, NY 12942

James M. Kelly, III
12 Madrono Ct.
Corte Madera, CA 94925

Edith K. Bales
1940 Terwood Road
Huntington Valley, PA 19006

Caroline K. Maynard
266 County Road 524
Nacogdoches, TX 75961

Lowry Stuart Kelly, Jr.
722 Sinyard Circle
Hiram, GA 30141

Minnie Kelly Hunt
1106 Northshore Drive
Sunset Beach, NC 28468

William C. Kelly
6121 Lane Place
Downers Grove, IL 60516

Charles J. Lowry, Sr.
49 Kingsbridge Street
Bristol, TN 37620

Lourena Yates
Route 5, Box 136
Grundy, VA 24614

Edith F. Compton
Route 5, Box 137
Grundy, VA 24614

Linda Nancy Yates
Route 5, Box 138
Grundy, VA 24614

Exhibit B

Cornelius Rife
HC 61 Box 28
Grundy, VA 24614

Alta Yates Cox
Route 5, Box 135E
Grundy, VA 24614

Buford Yates
Route 5, Box 137
Grundy, VA 24614

Dolly M. Yates
c/o William G. Yates, POA
1781 Shipley Ferry Road
Kingsport, TN 37663

Linkous Yates
PO Box 68
Grundy, VA 24614

Ola Gay Fletcher
PO Box 598
Grundy, VA 24614

Carol & Luis Rivera
8518 Barrens Road
Roanoke, VA 24019

David & Marie Keene
4734 Meadow Crossing Lane NE
Roanoke, VA 24012

Larry Lee Puckett
246 Vine Place
Stafford, VA 22554

Brenda P. Tate
2137 Harpoon Drive
Stafford, VA 22554

Rhonda Gail Bingel
246 Vine Place
Stafford, VA 22554

Teddy Yates
PO Box 416
Big Rock, VA 24603

Jeffrey Yates
PO Box 347
Cedar Bluff, VA 24609

Exhibit B

Rebecca Stiltner
PO Box 397
Big Rock, VA 24603

Frances Loredith Yates
HCR 76, Box 406
Big Rock, VA 24603

Robin Renee Fletcher
HCR 76, Box 406
Big Rock, VA 24603

Glenn Thomas Yates
142 Mill Lane
Yorktown, VA 23692

Harry Eugene Yates
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Carl E. Looney
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Clyde D. Looney
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Springfield, OH 45502

Shirley Ann Matney
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Vansant, VA 24656

Genetta Looney
PO Box 93
Vansant, VA 24656

R. James Yates
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Cool Ridge, WV 25825

Tommy Arthur Yates
23127 Kestrel Drive
Bristol, VA 24202

Joyce Ann Bach
PO Box 477
West Liberty, KY 41472

Marta L. McKenzie
721 San Marino Drive
Lady Lake, FL 32159

Exhibit B

AL-145 ©

NEED

DRILLED WELL LOCATION

PROPOSED WELL LOCATION

STATE CHIEF

UNIT VARIANCE - EXHIBIT A

Exhibit B

Marling E. Potter
341 Glenn Ave.
West Liberty, KY 41472

Lawrence Jackson
3005 Sunny Branch Drive
Wilmington, NC 28411

James Stewart Yates
515 Dogwood Drive
Liberty, NC 27298

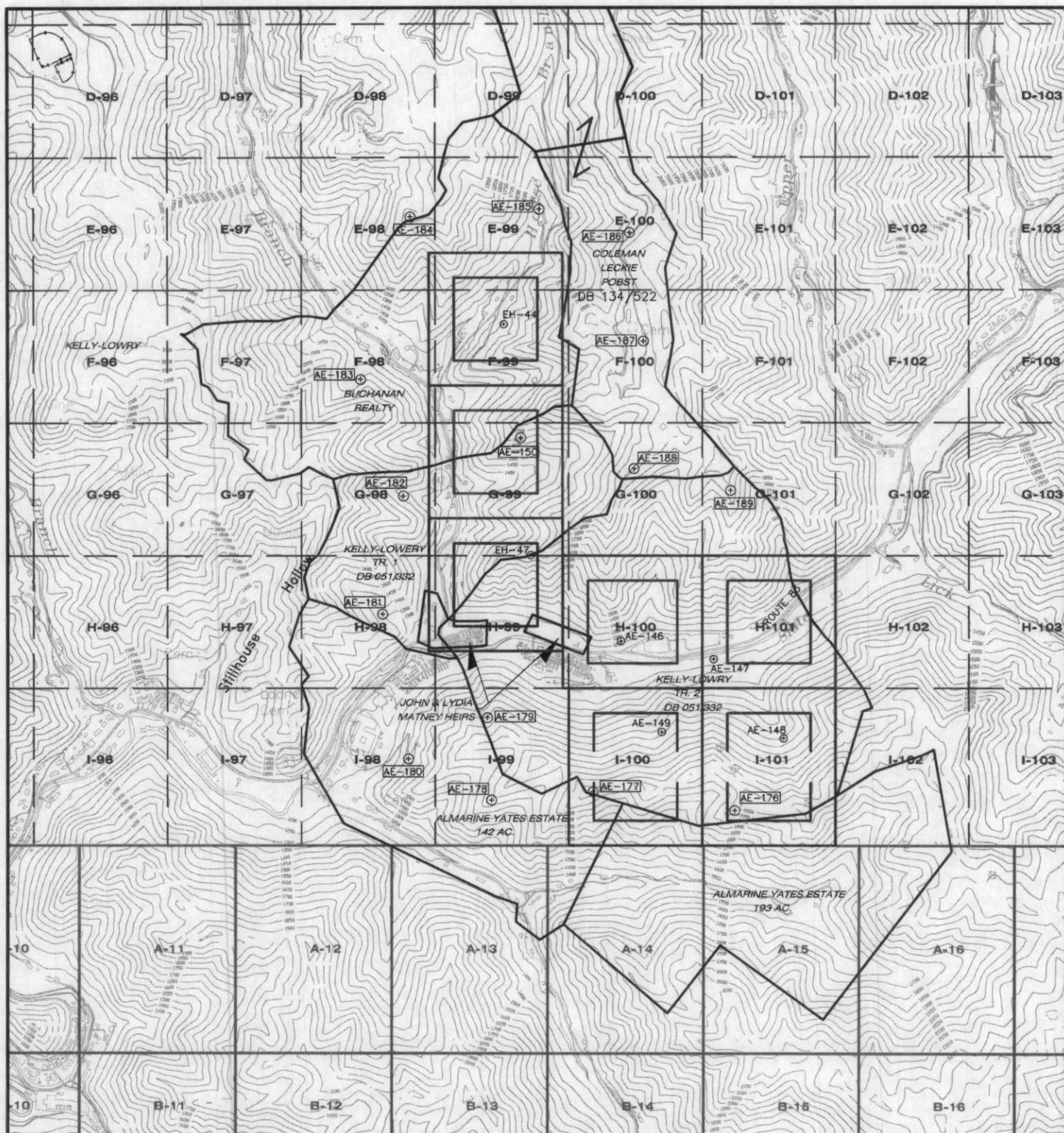
Ernest Warren Yates
167 Rustling Oak Ridge
Yorktown, VA 23692

David Matney
Rt. 5, Box 128
Grundy, VA 24614

Douglas Matney
Rt. 5, Box 127-A
Grundy, VA 24614

Randell Matney
3310 Martin Dale Road
Johnson City, TN 37601

Buchanan Realty Co., LLC
John C. Irvin, Mgr.
4710 Hunter Wood Circle
Richmond, TX 77469



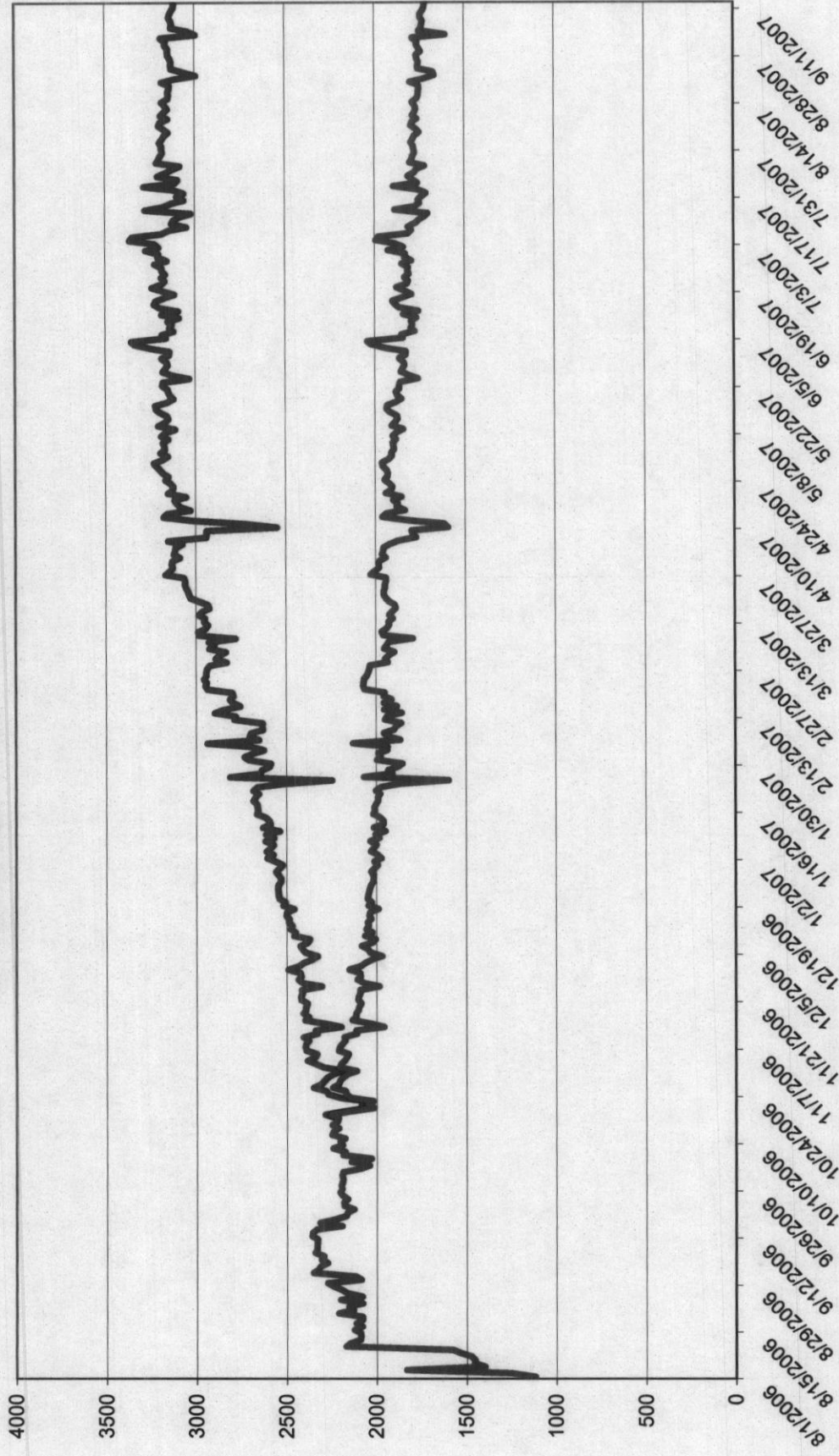
LEGEND

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APPALACHIAN ENERGY, INC.
SLATE CREEK
UNIT VARIANCE - EXHIBIT A

NOT TO SCALE

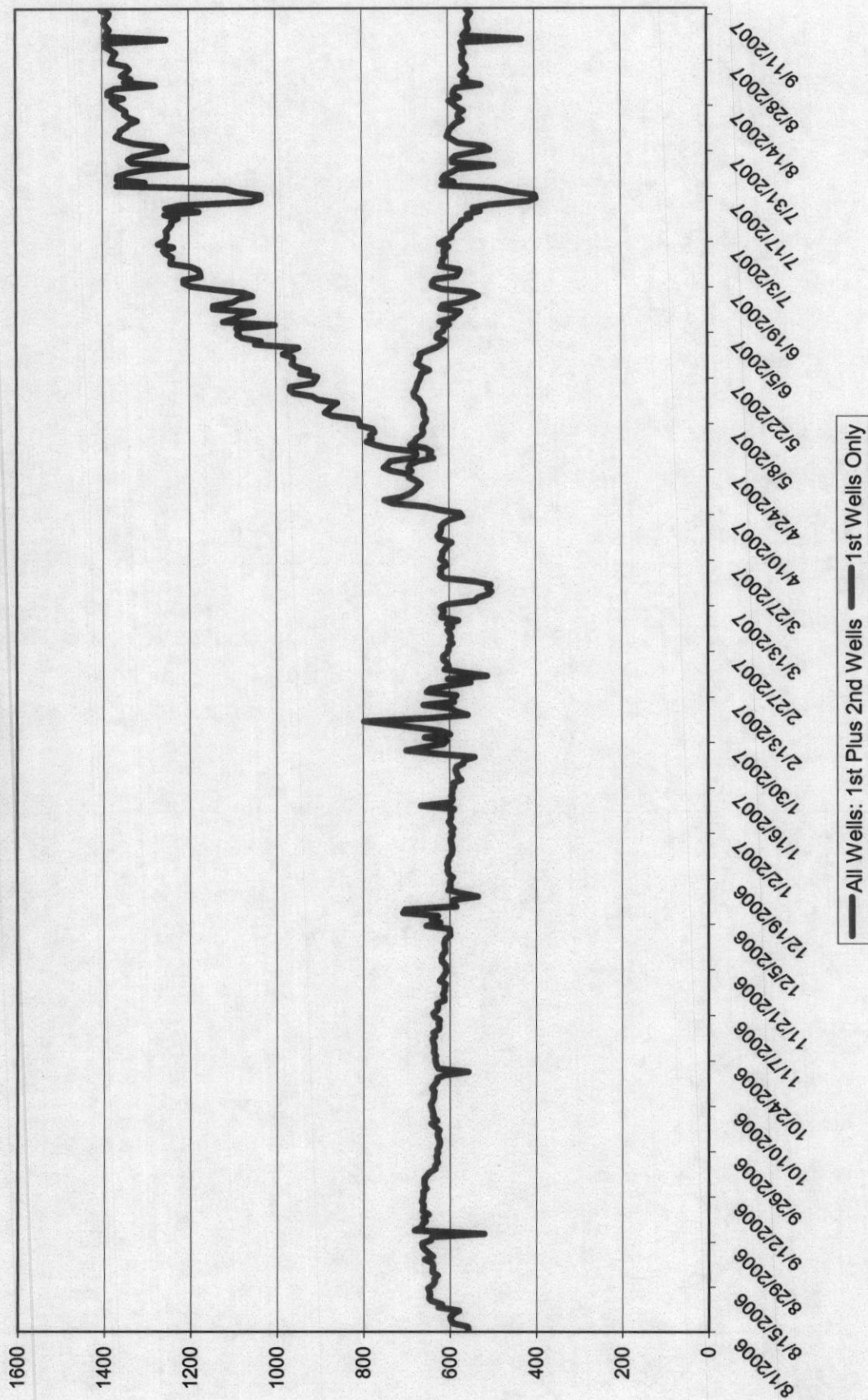
Middle Fork CBM - 16 Units 1st and 2nd Well Production **Incremental Rate = 1.4 MMCF/d**



— All Wells: 1st Plus 2nd Wells — 1st Wells Only

Ex. B-1

Lick Creek CBM - 11 Units 1st and 2nd Well Production Incremental Rate = 0.8 MMCF/d



Ex. B

SALLY BRANCH EUR CALCULATION

Average EUR from Nearby Wells	339	MMCF/well
Treatable Coal SB / Treatable Coal Nearby Wells	85%	
Sally Branch 1st well EUR from pro-rata coal	288	MMCF/well
% of 1st Well Attributed To 2nd Well	65%	
2nd Well EUR	187	MMCF/well
Total Unit EUR	475	MMCF/60 Acre Unit

Exc

BEFORE THE VIRGINIA GAS AND OIL BOARD

Applicant: Appalachian Energy, Inc.)

Relief Sought: Modification of the Nora Coalbed Methane)
Gas Field Rules.)

) Docket No.

) VGOB-89-0126-0009-12

AFFIDAVIT OF MAILING
(CERTIFICATE OF SERVICE)

STATE OF TENNESSEE)

COUNTY OF SULLIVAN)



James E. Kaiser, of lawful age, being duly sworn, upon oath, deposes and says:

- (1) He is a partner with WILHOIT & KAISER, Agent for Appalachian Energy, Inc. ("AEI") and makes this affidavit on behalf of AEI.
- (2) Based upon information and belief, the names and last-known addresses, where such addresses are known, of the parties owning an interest in the oil and gas in this cause are set forth and attached hereto.
- (3) On the 15th day of June, 2007, true and correct copies of the Application and the Notice of Hearing in this matter were placed in the United States mail in Kingsport, TN, certified mail, return receipt requested, postage prepaid, duly addressed to the unleased parties at their respective addresses as set forth in the attached Exhibit B which is hereby made a part of this Affidavit.
- (4) Notice of this cause has therefore been served by mail pursuant to the applicable statutes and rules of the Board.

James E. Kaiser

SUBSCRIBED AND SWORN TO before me this 10th day of July, 2007.

Notary Public

My commission expires: 11-12-08

Exhibit B

Barbara K. Oakley
440 Arlington Ave. 35018352/6-19-07
Bristol, VA 24201

Ann Wood Kelly
PO Box 272 35018367/6-21-07
Reedville, VA 22539

Elizabeth Whitman
PO Box 126 35018374/6-25-07
Keene, NY 12942

James M. Kelly, III
12 Madrono Ct. 35018381/6-25-07
Corte Madera, CA 94925

Edith K. Bales
1940 Terwood Road 35018398/6-21-07
Huntington Valley, PA 19006

Caroline K. Maynard
266 County Road 524 35018404/6-22-07
Nacogdoches, TX 75961

Lowry Stuart Kelly, Jr.
722 Sinyard Circle 35018411/6-21-07
Hiram, GA 30141

Minnie Kelly Hunt
1106 Northshore Drive 35018428/6-25-07
Sunset Beach, NC 28468

William C. Kelly
6121 Lane Place 35018435/6-25-07
Downers Grove, IL 60516

Charles J. Lowry, Sr.
49 Kingsbridge Street 35018442/6-27-07
Bristol, TN 37620

Lourena Yates
Route 5, Box 136 35018459/6-22-07
Grundy, VA 24614

Edith F. Compton
Route 5, Box 137 35018466/6-21-07
Grundy, VA 24614

Linda Nancy Yates
Route 5, Box 138 35018473/6-21-07
Grundy, VA 24614

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HC 61 Box 28 35018480/6-21-07
Grundy, VA 24614

Alta Yates Cox
Route 5, Box 135E 35018497/6-26-07
Grundy, VA 24614

Buford Yates
Route 5, Box 137 35018503/6-21-07
Grundy, VA 24614

Dolly M. Yates
c/o William G. Yates, POA 35018570/6-22-07
1781 Shipley Ferry Road
Kingsport, TN 37663

Linkous Yates 35018527/6-26-07/Unclaimed/new forward address
New address ~~PO Box 68~~ 6000 Sulphur Well Rd
Grundy, VA 24614 Lexington KY 40509-9412 /Resent

Ola Gay Fletcher
PO Box 598 35018534/6-20-07
Grundy, VA 24614

Carol & Luis Rivera
8518 Barrens Road 35018541/6-20-07
Roanoke, VA 24019

David & Marie Keene
4734 Meadow Crossing Lane NE 35018538/6-21-07
Roanoke, VA 24012

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Brenda P. Tate
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Stafford, VA 22554

Rhonda Gail Bingel
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HCR 76, Box 406 35018626/6-22-07
Big Rock, VA 24603

Robin Renee Fletcher
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Glenn Thomas Yates
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Harry Eugene Yates
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Tommy Arthur Yates
23127 Kestrel Drive 35018718/6-19-07
Bristol, VA 24202

Joyce Ann Bach
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Lady Lake, FL 32159

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Grundy, VA 24614

Douglas Matney
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Grundy, VA 24614

Randell Matney
3310 Martin Dale Road 35018800/6-29-07
Johnson City, TN 37601

Buchanan Realty Co., LLC
John C. Irvin, Mgr. 35018817/6-28-07
4710 Hunter Wood Circle
Richmond, TX 77469